

Message Text

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ACTION EUR-12

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INFO ALL EC CAPITALS 2810

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

AMEMBASSY BERLIN

USMISSION GENEVA

USMISSION NATO

USDEL MTN GENEVA

AMEMBASSY BUDAPEST

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TAGS: ETRD, EEC, RO

SUBJECT: EC-ROMANIA TEXTILE AGREEMENT

1. AFTER SEVERAL SETS OF NEGOTIATIONS GOING BACK TO MARCH, 1976, THE EC AND ROMANIA INITIALED A BILATERAL TEXTILE AGREEMENT ON NOVEMBER 10, UNDER THE GENERAL FRAMEWORK OF THE GATT MULTI-FIBER AGREEMENT. THIS AGREEMENT WAS WIDELYNOTED IN THE PRESS HERE AS THE FIRST TRADE AGREEMENT TO BE CONCLUDED BETWEEN THE EC AS A WHOLE AND A COMECON MEMBER. THE TEXT OF THE AGREEMENT WILL BE FORWARDED WHEN AVAILABLE.

2. IN A CONVERSATION WITH A MISSION OFFICER, EC DIRECTOR FOR TEXTILE AFFAIRS BENEDICT MEYNELL STATED THAT THE NEGOTIATIONS HAD BECOME STALLED DURING THE WEEK OF NOVEMBER 1, WITH THE ROMANIANS INSISTING ON SEVERAL POINTS WHICH

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TIATIONS HAD BECOME STALLED DURING THE WEEK OF NOVEMBER 1, WITH THE ROMANIANS INSISTING ON SEVERAL POINTS WHICH

THE COMMISSION WAS UNWILLING TO CONCEDE. MEYNELL ADDED THAT HE HELD FIRM THROUGH THE WEEK-END OF NOVEMBER 6 AND 7 AT WHICH TIME THE ROMANIANS WITHDREW THEIR OUTSTANDING REQUESTS ONE BY ONE. HE SAID IT WAS HIS IMPRESSION THAT, BY THAT TIME, THE ROMANIAN TEAM HAD COME UNDER POLITICAL PRESSURE FROM ITS GOVERNMENT AT HOME TO SUCCESSFULLY CONCLUDE THE NEGOTIATION. MEYNELL SURMISES THAT THE ROMANIAN GOVERNMENT WAS ANXIOUS TO HAVE COMPLETED A SUCCESSFUL NEGOTIATION IN ADVANCE OF THE BREZHNEV VISIT.

3. DURING A SUBSEQUENT CONVERSATION WITH COUNSELOR AT ROMANIAN EMBASSY (DIMITRIE STANESCU), MISSION OFFICERS WERE TOLD THAT CONCLUSION OF THE TEXTILE AGREEMENT WAS VIEWED BY THE FOR AS AN IMPORTANT STEP IN THE DEVELOPMENT OF EC/ROMANIAN RELATIONS. STANESCU SAID THE GOR HAD DONE WELL BY THE ACCORD IN TERMS OF CONTINUED ASSURED ACCESS TO THE EC MARKET (PRINCIPALLY FOR MENS' SUITS AND SHIRTS), HAVING OBTAINED EC AGREEMENT TO A 7 PERCENT ANNUAL RATE OF INCREASE IN IMPORT LEVELS. (GROWTH WILL HENCEFORTH ALSO BE EXPRESSED IN TERMS OF QUANTITY, RATHER THAN VALUE, WHICH WILL ELIMINATE ADVERSE EFFECT OF INFLATION ON EXPORT GROWTH.)

4. STANESCU HEWED TO THE PARTY LINE IN DISCUSSING THE POSSIBILITY OF FULL TRADE AND DIPLOMATIC RELATIONS WITH THE COMMUNITY, SAYING THAT THESE SHOULD BE ADDRESSED IN THE EC-CEMA CONTEXT. HE STRESSED, HOWEVER, THAT THE FOR HAS LONG BEEN WILLING TO DEAL DIRECTLY WITH THE COMMISSION ON SPECIFIC ECONOMIC POINTS, CITING EXCHANGES ON ROMANIA'S INCLUSION UNDER THE EC'S SYSTEM OF GENERALIZED TARIFF PREFERENCES, AND ITS ADHERENCE TO THE GATT. STANESCU ALSO INDICATED HE HAD MADE A DEMARCHE AGAINST AN EC PROPOSAL TO TAX VEGETABLE OILS, AN IDEA THE US HAS ALSO VIGOROUSLY OPPOSED.

5. IN A RECENT CONVERSATION WITH MISSION
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OFFICERS, FRIEDRICH KLEIN, EC COMMISSION OFFICIAL IN CHARGE OF RELATIONS WITH STATE TRADING COUNTRIES, AFFIRMED THE POLITICAL SIGNIFICANCE OF THE AGREEMENT IN TERMS OF THE PROSPECTS TO HOLDS OUT FOR WEANING THE GOR AWAY FROM THE STRICT CEMA TRADE LINE. HE ALSO PREDICTED THAT A SIMILAR DEAL WITH POLAND WOULD BE CONCLUDED SOMETIME IN 1977.

6. COMMENT: ALTHOUGH SOMETHING LESS THAN A MAJOR BREAKTHROUGH IN EC RELATIONS WITH THE CEMA COUNTRIES,

THE EC/ROMANIA TEXTILE AGREEMENT NEVERTHELESS STRIKES
US AS MARKING A NOT INSIGNIFICANT STEP FORWARD IN
TERMS OF DE FACTO RECOGNITION OF THE COMMUNITY BY AN
EASTERN EUROPEAN STATE. ADMITTEDLY THE AGREEMENT IS
WRAPPED UNDER THE PROTECTIVE COVER OF THE GATT
MULTI-FIBER AGREEMENT AND CAN BE RATIONALIZED FOR THE
COMMERCIAL ADVANTAGES IT OFFERS THE ROMANIANS
(INDEED A LOCAL SOVIET EMBASSY OFFICER CHARACTERIZED
THE AGREEMENT AS ESSENTIALLY "GOOD BUSINESS" FOR
ROMANIA.) NEVERTHELESS WE WOULD JUDGE THAT THE
AGREEMENT CONSTITUTES SOMETHING OF A PRECEDENT IN
BILATERAL RELATIONS WHICH, LEAVING ASIDE THE LONG-
PLAYING MINUET BETWEEN THE EC AND CEMA, THE
ROMANIANS AND OTHERS IN EASTERN EUROPE COULD BUILD
ON. EMBASSY BUCHAREST MAY HAVE SOME COMMENTS. HINTON

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